Limitations with the existing situation

G.13 The limitations with the existing interconnection specification situation in New Zealand can be summarised as follows:

- the specifications are controlled by Telecom, with little opportunity for influence by the industry
- where additional functionality is desired, this must be negotiated with Telecom with no guarantee of success. Bilateral negotiation tends to be time consuming, inefficient, costly and likely to result in interconnection specification variations
- the Telecom specifications are not a national standard acknowledged by the industry. This lack of a recognised national standard has discouraged some telecommunication equipment vendors from offering equipment to the New Zealand market
- Telecom is reluctant to incorporate functionality on which the ITU-TS has yet to complete work, or to recognise any standard other than the ITU-TS recommendations. This stance is frustrating innovation
- when functionality is added to the Telecom specifications, its timeliness is inadequate (e.g., the seven-year delay in supporting call forwarding functionality at the interconnection)

G.14 Telecom controls the content of the interconnection specifications. It makes amendments to the specifications from time to time. Although seeking industry comments, experience has demonstrated that Telecom rarely acts upon the comments received. Amendments to the specifications may:

- clarify the existing description
- update the content in line with recent developments in the ITU-TS recommendations
- add functionality
- remove functionality

G.15 The most recent amendment was contained in Telecom Access Standards Newsletter No. 81, May/June 1994. In this amendment, Telecom removed functionality termed "Information Request" functionality from the specification, ignoring objections by the industry.

G.16 As part of the same set of amendments, Telecom reduced the maximum message occupancy of signalling links from 20% (the ITU-TS recommendation) to 10% because of technical limitations within Telecom's network. This amendment will put BellSouth and the industry to significant expense because twice as many signalling links must be

provisioned at the interconnection with Telecom than would be the case if the ITU-TS recommendations were followed. This amendment applied immediately and without any commitment by Telecom to eventually return to the ITU-TS signalling link occupancy recommendations. This is an example of how Telecom deviates from international standards when it is of advantage to it to do so.

G.17 Where additional functionality to that contained in the Telecom specifications is desired, this must be negotiated directly with Telecom. There are no guarantees of success and the actual implementation of the functionality is likely to be costly to the network operator requesting the functionality.

G.18 An example is BellSouth's request to Telecom to support functionality to allow access to the international signalling system No. 7 network to enable BellSouth to offer GSM automatic international roaming service to its customers. This service is an important differentiator to the services offered by the Telecom mobile network. The requirement to negotiate this functionality was included in the original interconnection agreement between Telecom and BellSouth, with detailed negotiation to be separate from the interconnect negotiations. Even then, the negotiation of a suitable technical solution (with acceptable commercial terms) took almost two years and required a joint briefing chaired by the Ministry of Commerce.

G.19 Another example of additional functionality which BellSouth attempted to negotiate with Telecom but eventually abandoned was the support of an international length A-number (15 digits). International length A-number is part of the ITU-TS recommendations that Telecom does not support at the interconnection. The A-number is the telephone number of the calling party and is passed from the BellSouth network to the Telecom network to enable BellSouth customers to have access to Telecom services such as operator services. However, Telecom's network does not support international length A-numbers which is necessary in the case of GSM roamers from other countries. Because of this lack of functionality, BellSouth has gone to considerable expense to modify its network to allow roamers from countries onto BellSouth's network. As a consequence, roamers to the BellSouth network cannot access some services, such as the Telecom operator services.

G.20 Telecom has demonstrated that it is unwilling to negotiate functionality which is not covered by ITU-TS recommendations. This means that support of the interoperability of the more complex services between networks which require interconnection at the higher functional levels is unlikely to proceed in the near term. This will significantly reduce innovation in telecommunication services to the general public in New Zealand.

APPENDIX H

Numbering

Description

H.1 Numbers are a fundamental requirement for the operation of a telecommunications network. They are used to provide information to both networks and their customers about how to connect a call. Numbers can have embedded within them a variety of information. This can include geographic location, service provider or network operator information, tariffing information, types of service provided, etc.

Importance of numbering to competition

H.2 When customers subscribe to a network operator or service provider, they are generally assigned a number or set of numbers. For many customers, especially business customers, these numbers become an integral part of their identity and are considered either a tangible or intangible asset.

H.3 Therefore, the ability of customers to maintain the use of the same number over a long period of time is of paramount importance. This means that the inability that currently exists for customers to retain the same telephone number if they choose to switch service providers or telecommunications networks is a significant barrier to their decision to change.

H.4 In addition to this, competition can be restricted where a natural monopoly chooses to promote services based on number ranges or patterns that cannot be matched by those networks attempting to compete. For example, Telecom promotes services on its mobile network which are accessed by numbers beginning with *. This is being done in the full knowledge that these services cannot be supported by the BellSouth GSM network, thus creating a barrier to competition because customers may choose not to join a network that they perceive provides "limited" service. This can also serve to confuse customers and can create potentially dangerous situations in the case of services like *555 (Traffic Safety Service).

Current New Zealand environment with respect to numbering

H.5 Historically, the management and control of the New Zealand national numbering plan has been in the hands of Telecom. While there was no competition in the telecommunications market, there was no conflict between Telecom's role as a number administrator and its role as a supplier of telecommunications services. This is no longer the case. There are now many obvious examples where the conflict that has now emerged is limiting the ability for new entrants into the New Zealand telecommunications market to compete with the dominant incumbent.

H.6 In order to try and make progress on this important competitive issue, the New Zealand Telecommunications Numbering Advisory Group has been convened and is chaired by the Ministry of Commerce. This group has representation from all the telecommunications network operators and is expected to operate by consensus to

develop a numbering environment that allows fair competition and also, importantly, to meet the current and future needs of customers.

H.7 Unfortunately, the competitive environment in New Zealand today means that this approach has not worked so far and, indeed, is unlikely to work in the future. Thus, the market dominance of the dominant incumbent is the more easily perpetuated.

Conclusions

H.8 In order for there to be full competition in the telecommunications market, management and control of the New Zealand national numbering plan must not remain in the hands of one of the competitors, particularly if that competitor already has a dominant position in the market. Instead, it should be administered and controlled by an organisation representing the interests of the telecommunications industry, and of all concerns, as a whole.

H.9 Furthermore, full portability of numbers between networks must be seen as a precursor to effective competition. Since the implementation of number portability relies on the active co-operation by the dominant incumbent, priority needs to be given to ensuring that an environment exists where that co-operation can be assured.

APPENDIX I

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APPENDIX J

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APPENDIX K

The New Zealand Herald
28 September 1995
(Section 3, page 5)

PHONE ACCORD DELAYED

Wellington: The formal signing of the Telecom and Clear local service inter-connection agreement is likely to be at the end of October rather than today as previously targeted.

The Clear chief executive, Mr Andrew Makin, said the September 28 completion date targeted when heads of agreement were announced early this month was overly-optimistic.

Mr Makin said the 1000-page contract being worked on by lawyers was a huge document which also embraced other matters, including the toll interconnection agreement which expires at the end of this year.

APPENDIX D

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30 March 1995

Don Cruickshank Esq
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Dear Don

A Framework for Effective Competition

I enclose a copy of U S WEST International's submission to your Consultative Document on the future of interconnection, *A Framework for Effective Competition.* U S WEST very much welcomes the opportunity to contribute to the consultation over what, we believe, is the most significant regulatory review paper published in the UK.

As you know, U S WEST strongly believes that the UK has succeeded in creating one of the world's most liberalised telecommunications markets. However, you and your colleagues at OFTEL are right to want to build on the achievements of the 1980s and early 90s. The current interconnection regime restricts operators' flexibility to offer the innovative services and pricing packages which must be at the heart of effective competition. The proposals put forward by your office in the Consultative Document are a vital step forward in removing this barrier to competition and choice.

.../more

I hope that you and your colleagues find our submission informative and useful in arriving at your conclusions. Naturally, we would be very happy to provide any further information or clarification which would be of assistance.

Yours sincerely

RICHARD J CALLAHAN

A Framework for Effective Competition

A response to OFTEL's consultative document from

U S WEST International

Introduction

U S WEST welcomes OFTEL's consultative document, "*A Framework for Effective Competition*", as the most significant telecommunications regulation review paper published in the UK. Its intent - the creation of effective competition - will help keep Britain at the forefront of the new telecommunications revolution.

The United Kingdom already has one of the world's most advanced, liberalised and competitive telecommunications sectors. The success of policy-makers in implementing reforms which have dramatically improved customer choice, service quality and service accessibility should not be lightly dismissed. However OFTEL is right not to be complacent.

While UK regulatory policy has delivered many benefits to consumers and the telecommunications industry alike, there are still many distortions caused by regulation which prevent the emergence of broad, effective competition. Operator's licences have expanded each time policy is reviewed, as OFTEL has sought to deal with particular regulatory distortions through further detailed regulation.

Thus the approach taken by OFTEL in this consultative document is particularly welcome as it seeks to strip away these distortions through an integrated approach to the many public policy and commercial aspects of regulation - interconnection, retail pricing, the universal service obligation and so forth - which are too often treated as separate issues.

The benefits of a regulatory framework for effective competition will be felt by both new and established operators. Consumers will benefit from an out-pouring of innovation and a diverse range of competing telecommunications services, while the UK as a whole will benefit as its citizens and companies have access to the most advanced forms of the key enabling technology for the next century.